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PROGRAMME MATTERS

Mid-term review and status of implementation of the programme of work for the biennium 1996-1997

Report of the Executive Director

Summary

Through its decisions 18/40, 18/41 B and 18/42, the Governing Council at its eighteenth session approved an overall budget for the Enmvironment Fund of $136,964,000 for the 1996-1997 biennium, comprised of $90 million (with a supplementary budget of another $15 million if resources permitted) for Fund programme activities, $5 million for the Fund programme reserve and $41,964,000 for management and administrative support costs (MASC). However, the available resources of the Environment Fund for the biennium have fallen far short of expectations by $40 million as a result of a general drop in Government contributions to United Nations organizations, the low cash carry-over from 1995 to 1996 and less favourable exchange rates. UNEP will be unable to implement the programme of work at the level approved in decision 18/40.

This document describes what UNEP has accomplished in this biennium to date and presents elements for addressing the financial crisis facing the organization. The purpose of this mid-term review is threefold: (a) to review the financial situation; (b) to consider options for addressing it; and (c) to revise programme of work for 1996-1997. The document lays out what UNEP has been able to accomplish under difficult circumstances in 1996 and formulates proposals for action by the Governing Council for the work which it should carry out in 1997. The very grim reality for the organization is that it will have to drastically reduce the delivery of its programme for the biennium by as much as 30.5 per cent, depending on which option in section IV is decided upon.

Consultations with Governments were held on a draft of the mid-term review, particularly through the Committee of Permanent Representatives to UNEP, in meetings held in October and November 1996 in Nairobi and Geneva. Based on these consultations, option B was developed as the most realistic basis for the revised programme of work 1996-1997, as proposed in the Governing Council composite budget document entitled "The Environment Fund budgets: revised proposals for 1996-1997 and proposals for 1998-1999" (UNEP/GC.19/22).

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* UNEP/GC.19/1.

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I. THE FINANCIAL SITUATION

1. Agenda 21 reinforced the role of UNEP, and it was expected that resources would be made available to UNEP to discharge its reviewed mandate. Regrettably, the resources have not been forthcoming and consequently the ability of the secretariat to successfully deliver its approved programme has been seriously hampered.

2. The financial situation of UNEP has been severely affected by three developments: (a) a sharp drop in contributions of Governments to United Nations organizations; (b) a low cash-flow; and (c) restrictions in the use of the United Nations regular budget.

3. However, it should be noted that even if no drop in Government contributions had been experienced, resources would have still fallen short of the approved overall programme and management and administrative support costs (MASC) budget of $136.96 million by approximately $15 million. Although estimated available resources for the 1996-1997 biennium were projected at $142.69 million in June 1995, two developments changed this. First, the cash carry-over from the 1994-1995 biennium to 1996 was estimated at $25.53 million in mid-1995, $19.93 million higher than was finally established when the books for the biennium 1994-1995 were closed on 31 March 1996. Second, the unpredictable strength of the United States dollar resulted in less favourable exchange rates for contributions made in other convertible currencies.

A. Drop in contributions of Governments

4. A combined reduction in the contributions of some of UNEP's principal donors has led to a fall in total contributions to the Environment Fund by over $26 million for the biennium.

5. In response to this decline in contributions and as part of the efforts undertaken pursuant to decision 18/41 A, paragraph 6, the Executive Director has held a series of bilateral and regional consultations with Governments to explain the impact of the worsening financial constraints on the implementation of the approved 1996-1997 programme of work. Furthermore, the Executive Director has written to most Governments to communicate the specific effects on activities relevant to individual countries and also to point out where outstanding contributions are yet to be received.

6. Nevertheless, the decline in the level of contributions has not yet been reversed. In accordance with decision 18/41 A, paragraph 9, the causes of this trend have been analysed and can be seen to reflect and combine several dynamics: a proliferation of demands on Governmental budgetary allocations for environmental activities as the number of convention secretariats and trust funds expands, a general decline in the level of country contributions to the United Nations and a period of period of budgetary cutbacks within Governments for a variety of reasons.

7. As at 30 September 1996, total available Environment Fund resources for the 1996-1997 biennium were estimated at $97.23 million (see table 1 on page 15 below). Subtracting from this figure th $5 million of the Fund programme reserve approved by the Governing Council in its decision 18/41 B, only $92.23

million are available, representing a shortfall of $39.73 million of the overall budget of $131.96 approved by the Governing Council for Fund programme activities and MASC.

8. As a result, UNEP is faced with reducing the implementation of its Fund programme Activities by as much as 30.5 per cent.

B. Low cash-flow

9. UNEP is also facing a very serious cash-flow crisis for two principal reasons:

(a) Governing Council decisions 17/32 and 18/41 A called for UNEP to avoid unnecessary carry-over of funds from biennium to biennium. In complying with these decisions, UNEP achieved a 96.3 per cent total expenditure in respect of the amounts allocated for Fund programme activities, Fund programme reserve and programme and programme support costs (PPSC) for the biennium 1994-1995. Consequently, the cash carry over from that biennium to 1996 was only $5.6 million, the equivalent of 1.4 months of the organization's operational expenditures (see table 1 below);

(b) Contributions from Governments during the first half of 1996 were not received in a timely manner, thus further exacerbating the volatility of the Environment Fund. Of the total amount of pledged and estimated Government contributions to the Environment Fund of $47.6 million for 1996, the payments totalling $9.98 million was still outstanding as at 30 September 1996.

10. The historically low level of available cash resources has impacted negatively on the capacity of the organization to implement the 1996-1997 programme of work. Moreover, unlike in the past, the low level of cash resources does not allow UNEP to provide cash advances to Convention Secretariats on a reimbursable basis pending receipt of contributions to the trust funds concerned. This can adversely affect the implementation of the work programmes of global and regional conventions serviced by UNEP.

11. If the current trend continues, the situation will be compounded in the future. It is estimated that the cash carry-over to the 1998-1999 biennium will be zero. The current financial reserve of $6.5 million is inadequate to ensure that the organization will have the necessary liquidity to function without interruptions in operations.

12. In its decision 18/41 B, the Governing Council also authorized the Executive Director to increase gradually the financial reserve from $6.5 million to $20 million by 1999. However, given the present financial situation, this has not been possible. If in fact the financial reserve was at $20 million, UNEP would not be experiencing cash-flow difficulties that may lead to interruptions in operations in the event that Government contributions are not paid in a timely manner.

C. Restrictions in the use of the United Nations regular budget

13. Although the regular budget contribution to UNEP is relatively small, UNEP has been required to implement austerity measures called for by the United Nations Secretariat as a result of the financial crisis facing the United Nations:

(a) The Executive Director of UNEP was instructed to reduce the level of funding from the United Nations regular budget provided to UNEP by approximately $570,000 in 1996. Additional reductions are envisaged in 1997;

(b) To achieve this, a freeze has been applied to vacant regular budget posts in UNEP. Consequently, key Professional staff positions cannot be filled, impacting severely on subprogramme element areas such as water, biodiversity, atmosphere and policy.

II. CORRECTIVE MEASURES TAKEN BY THE ORGANIZATION

A. Fund-raising measures to offset the financial crisis

14. In confronting the depression in contributions to the Environment Fund, UNEP has vigorously pursued additional financial resources through various fund-raising efforts. UNEP has succeeded in leveraging additional resources that support or interface with the environment programme. For 1996-1997, these resources amounted to approximately $66 million in support from partner agencies (joint projects), trust funds, counterpart contributions (Governments), the Global Environment Facility (GEF) and other, generally private sources. This means that for every dollar deposited in the Environment Fund, more than one dollar has been additionally catalysed for environmental activities.

15. However, for purposes of understanding the impact of external resources on the programme, they need to be divided into two categories: (a) resources that are mobilized through fund-raising to support the implementation of mainstream activities; and (b) associated external resources.

16. The latter come from trust funds, including the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer and GEF, and are generally, but not exclusively, for support to the operational strategies and work programmes of the respective trusts funds. They are not for supporting mainstream activities of the programme, although in a number of cases they are complementary to specific components of the programme. This is what is referred to in paragraph 14 above as "interfacing with the Environment programme". These funds account for $24.77 million, or approximately 37.3 per cent of all external resources. Of the $24.77 million, approximately 28.7 per cent are funds in support of mainstream programme activities.

17. In this paper, UNEP's concern is principally about resources mobilized through fund-raising, which account for a little over 60 per cent of external resources, or approximately $41 million. Approximately half of these resources come in the form of in-kind and not cash contributions. Because they are largely earmarked funds, resources mobilized through fund-raising

tend to reinforce only certain areas of the Environment programme, thus leading to a possible skewing of the overall programme. This has been manifested in the following ways:

(a) While subprogramme 2 (Sustainable production and consumption) has been successful in attracting additional funds, external resources for subprogramme 5 (Global and regional servicing and support), where much of the assessment and public information capability of UNEP is centered, are much harder to mobilize. The operations under the latter subprogramme are thus severely hampered, in some cases crippled, by inadequate resources;

(b) There is a tendency for the largest grants of resources to be directed towards specific projects. The result is that a large proportion of the additional funds is being concentrated in a small number of projects or cluster of activities. For example, $1,215,000, or 78.1 per cent of all external resources for subprogramme element 4.4 (Coordination and promotion of policy-relevant research) are for one project;

(c) Earmarked funds generally go straight into specific, highly focused projects. With few exceptions they are flexible and do not increase the capacity of the organization to respond to emerging or breaking environmental issues.

18. Furthermore, a major portion of the external resources are provided in the form of in-kind contributions, accounting for approximately $24 million or 36.1 per cent of all external resources. These in-kind resources are targeted to support specific projects and cannot be redeployed to support other programme activities. While there is an inherent risk of imbalance in the approved programme as in-kind contributions boost support to particular programme areas, such in-kind contributions are used to the greatest possible extent to support projects implementing the broad thrust of approved programme activities.

19. A significant portion of counterpart contributions in the form of cash contributions has been used to support programme-targeted activities, amounting to $8.5 million as at 25 September 1996. These are the resources from fund-raising that this year have contributed the most to bolstering the implementation of the programme.

20. Without these wide-ranging fund-raising efforts, work on a number of mainstream programme targeted activities would have not been possible. Areas that have benefited from the resource-mobilization campaign include several components of subprogramme 4 (Globalization and the environment), such as environmental law, trade and environment, environmental economics and targeted scientific research, subprogramme element 1.2 (Caring for biological resources), particularly for activities on biosafety and in support of the Intergovernmental Panel on Forests, and subprogramme element 3.1 (Reduced impact of toxic chemicals), especially in support of the negotiations for a international legally binding instrument for the application of the prior informed consent (PIC) procedure for hazardous chemicals in international trade.

21. Any option for a revised programme of work for 1996-1997 should take into account the results of UNEP's resource-mobilization efforts. It has

been largely through these efforts that various subprogramme elements and components have been able to maintain financial viability and the capacity to deliver programmed outputs and services. However, this shift in the source of funding comes at the cost of flexibility to fully implement all elements of the approved programme of work, and also involves a considerably increased administrative burden.

B. Measures taken to adjust the programme of work in light of the financial crisis

22. Since the end of 1995, UNEP has been monitoring closely government pledges and the flow of cash. Commencing in February 1996, a contingency plan for the rephasing of the 1996-1997 programme was introduced to confront the financial difficulties facing the organization. The plan is basically an ongoing process to ensure that measures are taken to implement more efficiently and effectively UNEP's 1996-1997 programme of work, taking into account the availability and flow of resources. It consists of three basic elements: (a) monitoring the availability and flow of resources; (b) rephasing the implementation of the UNEP programme of work from the first to the second year of the biennium with special emphasis on timing considerations for implementing targeted activities; and (c) applying corrective measures as required, including cost-saving measures and fund-raising.

23. The preparation of a revised programme of work was initiated with the understanding that the Committee of Permanent Representatives (CPR) should be consulted on it and that it should subsequently be presented to the Governing Council at its nineteenth session in the form of this mid-term review for consideration and decision.

24. The process has consisted of the following steps, moving from rephasing to reduction of activities:

(a) The starting point of the exercise was the establishment of criteria for selecting targeted activities of the programme to be implemented in 1996. Targeted activities refers specifically to key activities to be undertaken to further the implementation of the environment programme. Five criteria were chosen: (i) priorities established in the decisions of the Governing Council at its eighteenth session; (ii) complementary regional priorities proposed in regional forums; (iii) political consequences of rephasing activities; (iv) timing considerations; and (v) the financial viability of the subprogramme elements and their component activities;

(b) An initial rephased 1996-1997 programme of work, focusing primarily on the delivery of targeted activities in 1996, was prepared internally by the programme Coordination Committee in March-April and further refined by a special Task Force of the Executive Committee, consisting of the three Assistant Executive Directors and the Director of Programme Support Services. The initial plan was approved by the Executive Director who reported on its status to the Committee of Permanent Representatives on 17 May and 17 July. Following further revisions at the Management Board meeting in June, the contingency plan called for a 1996 programme amounting to $37.5 million, with $7.5 million of Fund programme activities rephased to

1997. However, in July, based on the latest estimated and projected available resources which indicated that the financial situation was unlikely to change before 1997, work shifted from the preparation of a rephased to a reduced programme of work for the 1996-1997 biennium, predicated on a Fund programme activities budget of $66.4 million, or 26.2 per cent less than that approved by the Governing Council, and a management and administrative support costs (MASC) budget of approximately $35 million, or 16.33 per cent less than initially approved;

(c) In parallel with the rephasing exercise, cost-saving measures were identified for 1996 and implemented commencing in April. These consisted of: (i) the freezing of 14 programme Professional posts, or 8.7 per cent of all budgeted Environment Fund Professional posts; (ii) a reduction of the MASC budget from $20.98 million to $19 million; and (iii) tighter restrictions on travel. Together they accounted for savings of $3.25 million in 1996;

(d) From July to September, an examination of staff requirements for carrying out a reduced programme of work was carried out. Consequently, it was decided that a reduction of 39 programme Professional posts and 25 General Service posts was necessary. In the case of Professional officers, this represents a reduction of 24.2 per cent of all Environment Fund programme Professional posts. These reductions will result in savings of approximately $4.3 million in 1997, although the staff costs associated with downsizing, e.g. early termination and repatriation, will reduce sort-term savings. Priority will also be given to using the resources of the programme reserve for early termination and repatriation. Staff reductions are being carried out through precise redeployment procedures established by United Nations Headquarters through administrative instruction ST/AI/415;

(e) Taking into account estimated available resources for the remainder of the biennium, and in line with responsible management practices, in September the Executive Director allocated $25 million as an interim budget for 1997, reducing the Fund programme activities budget for the biennium to $62.5 million;

(f) To make up for the shortage of available resources, UNEP has launched a major fund-raising campaign in support of the UNEP programme of work for 1996-1997. However, it is not expected that the larger part of the funds raised will become available before 1997;

(g) A consultation draft of the mid-term review, dated 4 October, was the subject of an extensive consultation process with Governments, particularly through the Committee of Permanent Representatives to UNEP. The draft was presented to a joint meeting of subcommittees 2 (Programme) and 3 (Fund) of the CPR on 9 October. Subsequently a working group of subcommittees 2 and 3 was formed, which met to discuss the details of the mid-term review on 16, 24 and 29 of October. On 4 November, the Executive Director held informal consultations with approximately 40 Governments in Geneva, including a mix of Permanent Representatives, other member States of the Governing Council and representatives of capitals. In addition to examining the mid-term review, the latter meeting addressed issues such as the future of UNEP and adequate and predictable financing of the organization and recommended launching a process of discussion prior to the special

session of the General Assembly in 1997. In general, donor countries expressed concern over the financial predicament of the organization. On the basis of the above consultation meetings, minor modifications were made to the mid-term review document.

25. As a complementary initiative to the above process, UNEP prepared a report entitled "Ensuring adequate and predictable financing of the United Nations Environment Programme: a challenge to Governments" (UNEP/GC.19/INF.10), which was presented to the fifty-seventh meeting of the Committee of Permanent Representatives, on 2 October 1996. The purpose of the report was to present for the consideration of Governments various avenues for ensuring that the Council-approved environment programme will be financially viable and can be implemented without resource uncertainties in the medium term.

26. It is important to underscore that, in addition the specific measures outlined above, UNEP has implemented several efficiency measures (see UNEP/GC.19/6 and Add.1) in response to the financial situation facing United Nations system-wide and in an effort to increase efficiency and effectiveness in the system.

III. IMMEDIATE IMPACT ON UNEP OF THE FINANCIAL CRISIS: CUTS TO APPROVED PROGRAMME ACTIVITIES AND THE REVISED PROGRAMME OF WORK FOR 1996-1997

27. In response to the financial constraints facing UNEP, an integral aspect of the above rephasing process has been actual cuts to approved programme activities. These are described in the composite budget document that will be before the Council at its nineteenth session (UNEP/GC.19/22). 1/

28. In rephasing activities initially programmed for 1996, particular care was given to ensuring that available resources were deployed to support targeted activities for furthering the priorities of the environment programme as reflected in the decisions of the Governing Council at its eighteenth session. These priorities are listed in table 2 on page 16 below, which was prepared following extensive discussions and analyses in the programme Coordination Committee, the Executive Committee and the Management Board. It should be noted that, in 1996, the Executive Director did not exceed her authority to adjust the apportionment for each budget line by 20 per cent.

29. Despite the financial difficulties facing the organization, by streamlining its activities, focusing its resources, and targeting its fund-raising, UNEP has succeeded in delivering or promoting progress towards achieving the following major results, among others, in 1996:

1/ This description of the actual cuts to approved programme activities was originally circulated as an annex to the consultation draft of the present document. As it has now been incorporated into the composite budget document, it is not reproduced again here in order to avoid duplication.

(a) Substantial progress in the negotiation and development of an international legally binding instrument for the application of the PIC procedure for certain hazardous chemicals in international trade;

(b) The development of a substantial proposal for the consideration of the Governing Council at its nineteenth session on further measures to reduce the risks from a limited number of hazardous chemicals;

(c) The development of substantial recommendations and information on international action regarding persistent organic pollutants (POPs), including the appropriateness of an international legal mechanism, for the consideration of the Council at its nineteenth session;

(d) Considerable progress in the start-up of the implementation of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities (GPA), including intergovernmental, interagency and intersecretariat (regional seas) consultations; regional planning workshops in West and Central Africa, East Asia, West Asia, the Mediterranean and the Caribbean; and the launching of the Land-based Activities (LBA) Assessment of the Joint Group of Experts on the Scientific Aspects of Marine Environmental Protection (GESAMP);

(e) Revitalization of the regional seas programme, with special emphasis on the Wider Caribbean, East Asia, Eastern Africa, West Africa and the Mediterranean;

(f) Development of the African Water Strategy of the Secretary-General's Special Initiative for Africa;

(g) Strengthening of the implementation of the International Coral Reef Initiative by promoting greater understanding of coral reefs and associated ecosystems at the global level and building national capabilities to develop management strategies and action plans in the Western Indian Ocean/Eastern African region;

(h) The voluntary adoption and implementation of the UNEP International Technical Guidelines for Safety in Biotechnology, including a global workshop for assessing implementation, regional workshops for determining capacity building requirements and the launching of the UNEP International Register on Biosafety;

(i) Support and substantive contribution to the work of the Intergovernmental Panel on Forests;

(j) The establishment of the Secretariat of the Convention on Biological Diversity in Montreal, including the finalization of a host country agreement;

(k) Launching and promotion of the Pan-European Biodiversity Strategy;

(l) Substantial progress in the formulation of a policy paper on linkages between the Convention on Biological Diversity and the United Nations Convention on Climate Change, with special emphasis on scientific

assessments and their relationship to ongoing assessments in ozone, water and drylands;

(m) Initiation of the UNEP Climate Impacts programme within the Framework of the Climate Agenda;

(n) Assessment of the status of dryland degradation through the revised edition of the World Desertification Atlas;

(o) Strengthening national capacities for attaining sustainable production in industry by supporting and catalysing national, subregional and regional cleaner production centres;

(p) Preparing and convening of the Ministerial Roundtable on Trade and Environment;

(q) Substantial progress in the review of the programme for Development and Periodic Review of Environmental Law for the 1990s (Montevideo Programme II);

(r) The issuing of UNEP's law book on the occasion of the fiftieth anniversary of the United Nations;

(s) Fulfilment of the Task Manager role for UNEP in respect of various Agenda 21 chapters in support of the Commission on Sustainable Development (chapters 9, 12, 15, 39), as well as considerable inputs and contributions to the fourth session of the Commission;

(t) Preparations for the 1997 special session of the General Assembly, including substantial progress in the elaboration of the Global Environment Outlook report series;

(u) Publication of the report World Resources 1996-1997 and the State of the Environment (SOE) Source Book;

(v) Progress towards the establishment of the Global Terrestrial Observation System (GTOS) through the development of a GTOS operational strategy;

(w) Strengthening of partnerships with stakeholders, particularly in the insurance, manufacturing and biotechnology industries;

(x) Promotion of the principles of environmental citizenship.

IV. OPTIONS FOR THE CONSIDERATION OF THE GOVERNING COUNCIL

A. Proposed focal areas for 1997

30. UNEP has been, and remains, primarily a catalytic institution. Its strength lies in providing leadership in global environmental policy and international environmental cooperation, and in influencing and facilitating action to protect and improve the environment. Its forte lies in staying at the cutting-edge of environmental issues; providing information, advice and

guidance; building scientific and intergovernmental consensus; identifying emerging issues and exploring unattended facets of known issues; and in setting the agenda for better environmental management and environmentally sound development.

31. In light of the constraints on projected resource availability in the second half of the biennium, the Executive Director recommends that UNEP in 1997 should focus its work in the following areas where it has demonstrated strength (assessment, addressing emerging issues, policy formulation, and catalysing and facilitating negotiations, among others):

(a) Strengthening UNEP's regional presence, including the Special Initiative for Africa;

(b) Assessing the state of the environment (the Global Environment Outlook).

(c) Undertaking environmental negotiations and development of international environmental law (PIC and POPs);

(d) Implementing newly mandated programmes (the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities);

(e) Maintaining ability to address emerging issues (e.g., environment and trade);

(f) Maintaining momentum on sustainable production;

(g) Refocusing environmental education (Environmental Citizenship).

32. In addition to the above focal areas, UNEP would also continue to support the following activities, albeit at a lower level until the financial situation improves:

(a) Support to the environmental conventions;

(b) Policy development and inter-agency affairs;

(c) Information and public affairs;

(d) Legal advice;

(e) Development of UNEP's work in the International Environmental Technology Centre (IETC), environmental economics and energy;

(f) Mobilization of resources, particularly through GEF;

(g) Improvement of UNEP's communications networking through Mercure and the Environment and Natural Resources Information Network (ENRIN).

B. Option A

33. Option A 2/ is the programme of work for the 1996-1997 biennium adopted through Governing Council decision 18/40. This decision recalls that in paragraph 38.21 of Agenda 21, adopted by the United Nations Conference on Environment and Development (UNCED), the mandate of UNEP as the lead environment institution in the United Nations system was reconfirmed, acknowledging the need for an enhanced and strengthened role for UNEP and its Governing Council. With the adoption of the new integrated programme of work, UNEP achieved the distinction of being the first organization in the United Nations system to overhaul its programme in response to the decisions of UNCED. Moreover, its new programme was poised to follow through on a number of critical issues in Agenda 21 requiring urgent action.

34. The new integrated programme is built on: (i) developing and promoting state-of-the-art scientific assessments, (ii) formulating policy options for enhancing decision-making and environmental management; (iii) leveraging knowledge for building consensus on critical environmental problems and issues; (iv) assisting Governments at the global, regional, subregional and national levels in formulating sound environmental management strategies; and (v) promoting more effective cooperation and coordination on environmental matters with partners within and outside the United Nations system.

35. Although expectations were high following the eighteenth session of the Governing Council and recognition was given to the organization by being selected earlier to perform the secretariat functions for the Convention on Biological Diversity and, in October 1995, to serve as the secretariat of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities, the requisite resources for fully delivering the new integrated programme did not materialize. By reaffirming the 1996-1997 programme of work adopted at the eighteenth session of the Council and ensuring that the required resources are provided, Governments will also reconfirm and strengthen, as called for in Agenda 21, the unique, critical and strategic role that UNEP is expected to play in moving forward the global environmental agenda. Such a reaffirmation will also reconfirm the commitment which Governments made by adopting the programme of work at a level of $90 million.

36. If option A is agreed upon, Governments should decide what measures should be utilized to inject the original approved resources required by the programme of work in an expeditious manner so as to allow UNEP to avert further financial difficulties and get on with the delivery of the programme.

C. Option B

37. Option B 3/ assumes that Governments will not increase their contributions to UNEP this biennium and that estimated available resources will only allow for a programme of work amounting to $62.5 million, with $37.5 million for 1996 and $25 million for 1997. This imbalance in the

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2/ See table 3 on page 22 below, under the heading "Original".

3/ See table 3, under the heading "Revised".

programme budget from one year to another is largely due to timing considerations. The year 1996 has been a crucial one for the delivery of outputs and services that have been or will be major inputs to the fourth session of the Commission on Sustainable Development (April 1996), the nineteenth session of the Governing Council (January-February 1997), and the special session of the General Assembly for the review and appraisal of Agenda 21 (June 1997). Work on a number of major related activities had to be carried out in 1996.

38. As a precautionary measure, the Executive Director in September allocated an interim programme budget of $25 million for 1997 in order to avoid a deficit carry-over from the 1996-1997 biennium to the 1998-1999 biennium. Interim allocations were adopted for managerial and operational purposes, including the downsizing of the organization and redeployment of staff.

39. With a budget of $25 million in 1997, the capacities and outputs of the programmes in Water, Chemicals and Sustainable Production would be significantly affected. The following programmes would be severely affected: Environmental Information Systems, Sustainable Consumption Patterns, Coordination and Promotion of Policy-Relevant Research, Biodiversity, Environmental Law, Coordination of Conventions and the Information Unit for Conventions. In addition to reduced outputs, advisory and information services, including public awareness, would be severely curtailed both at the global and regional levels. UNEP's position as a centre of environmental excellence and expertise would be weakened. Details are provided in the composite budget document referred to in paragraph 27 above.

40. The Governing Council may wish to reduce the programme budget across the board. The consequences could be that resources would be too dispersed and inadequate for efficient and effective programme delivery in certain areas. Although, this would seem to respect the Governing Council percentages for programme elements, specific priority activities would not be fulfilled. In the judgment of the secretariat, any attempt to reduce the programme budget across the board would be unworkable.

41. The Governing Council may also wish to concentrate the available resources on certain programme areas. The elements for such an approach are provided in by subprogramme element in part three of the composite budget document under the heading "Prospects for 1997". Obviously this approach will have consequences. It would be necessary to drop important areas of work in order to free the necessary resources to perform and deliver effectively in other areas of concentration.

42. The Governing Council may also wish to consider freezing for the remainder of the biennium entire subprogramme elements in order to free resources to be redeployed to other areas of the programme where key issues for this biennium are being addressed, such as in Chemicals and Water. Such drastic decisions should take into account the following criteria: (i) the importance of the role played by UNEP in the particular subject area and issue; (ii) the order of priority of the activities undertaken in the specific subprogramme element; (iii) the likelihood that activities undertaken in these areas could be carried out effectively by partners and other organizations; and (iv) the financial viability of the subprogramme

element. These subprogramme elements could be reintegrated in the 1998-1999 programme of work if so decided by the Governing Council. The consequences of such an approach would be loss of expertise and a deterioration in the coordination role of UNEP in the environment within the United Nations system.

43. Option B assumes that: (i) the $9.98 million in unpaid estimated Government contributions projected for 1996 will be paid (see paragraph 9 (b) above); and (ii) government contributions in 1997 will be equal to or greater than in 1996. If they are not, the situation will be further aggravated. Moreover, all Governments need to be encouraged to pay their contributions to UNEP in a timely manner as called for in Governing Council decision 18/41 A.

Table 1

FLOW AND USE OF RESOURCES OF THE FUND 1994-1995 and 1996-1997
(Millions of US dollars)
as at 30 September 1996

	1994	1995	1996	1997
RESOURCES				
(a) Balance of Fund on 1 January	38.78	41.35	5.60	-5.27
(b) Contributions paid	65.07	56.95	37.65	-
(c) Unpaid pledges	-	-	1.35	1.97
(d) Additional estimated contributions	-	-	8.63	46.30
(e) Total estimated contributions	65.07	56.95	47.63	48.27
(f) Miscellaneous income	2.76	1.98	0.50	0.50
TOTAL RESOURCES	**106.61**	**101.10**	**53.73**	**43.50**
CLAIMS ON RESOURCES				
(g) Management and administrative support costs	20.28	18.34	19.00	16.00
(h) Fund programme activities	42.31	74.33	37.50	25.00
(i) Fund programme reserve activities	1.85	2.83	2.50	2.50
(j) Additional programme	-	-	-	-
(k) Total project expenditure	44.16	77.16	40.00	27.50
(l) Increase in financial reserve	-	0.00	0.00	0.00
TOTAL CLAIMS	**64.44**	**95.50**	**59.00**	**43.50**
BALANCE OF FUND ON 31 DECEMBER	**42.17**	**5.60**	**-5.27**	**0.00**

Table 2

PRIORITY AND TARGETED ACTIVITIES FOR 1996

Priority and targeted activities	Decisions of the Governing Council at its eighteenth session
General	
1. Support to Conventions, including work of the IUC.	18/1
• Establishment of the Secretariat of the Convention on Biological Diversity (CBD) in Montreal.	18/36 A 18/40
• Convening of an open-ended intergovernmental workshop on cooperation between the Convention on Biological Diversity and other international conventions on related issues.	18/1 18/40
• Support to the United Nations Convention to Combat Desertification (UNCCD).	18/1 18/26 18/39 A 18/40
• Implementation of the UNEP Climate Impacts Programme within the framework of the Climate Agenda.	18/20 A 18/40
• Support to the Climate Change Convention with particular emphasis on the work of the Intergovernmental Panel on Climate Change.	18/20 B 18/40
• Organization and dissemination of results of UNEP Conference on Activities Implemented Jointly under the United Nations Framework Convention on Climate Change.	18/1

Priority and targeted activities	Decisions of the Governing Council at its eighteenth session
Subprogramme 1: Sustainable management and use of natural resources	
2. Initiation of the implementation of the Global Programme of Action (GPA) for the Protection of the Marine Environment from Land-based Activities (LBA).	18/1 18/31 18/34 18/40
• Establishment of the secretariat of the GPA.	18/31
• Implementation of the GPA with special emphasis on regional planning workshops in West and Central Africa, East Asia, West Asia, the Mediterranean region, and the Caribbean region.	18/1 18/31 18/32 18/34 18/39 E 18/40
• Integration of the GPA into the work programmes of the regional seas programmes and relevant river basin action plans, with a particular view to strengthening the regional seas programmes.	18/1 18/31 18/32 18/34 18/39 E 18/40
• GESAMP LBA Assessment	18/1 18/31
• Completion of diagnostic studies on the Mekong River and San Juan River basins.	18/1 18/40
3. Application of the fair share approach for the African Water Strategy of the Secretary-General's Special Initiative for Africa.	18/1 18/39 A
4. Support to regional programmes for the sound management of natural resources, particularly in transboundary settings.	18/1 18/38 18/40
• International Coral Reef Initiative (ICRI): Co-sponsorship of the International Coral Reef Symposium and the ICRI regional workshop for East Africa	18/33 18/40
• Preparation of the project proposal for the design and implementation of the Central American Biological Corridor	18/1 18/38 18/40

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Priority and targeted activities	Decisions of the Governing Council at its eighteenth session
• Support to the Sustainable Europe Programme	18/1 18/24 18/38 18/40
5. Implementation of the International Technical Guidelines for Safety in Biotechnology.	18/1 18/36 B 18/40
• Regional workshops for determining capacity- building requirements in support of the implementation of the Guidelines	18/1 18/36 B 18/40
• Initiation of capacity-building activities for implementing the Guidelines	18/1 18/36 B 18/40
• Establishment of the International Register on Biosafety in support of the implementation of the Guidelines	18/1 18/36 B 18/40
6. Awareness-raising on dryland degradation problems and issues.	18/1 18/26 18/39 A 18/40
• Public-awareness campaign on desertification issues, including-success stories and best- practices in land degradation control and publication of the Desertification Control Bulletin.	18/1 18/26 18/39 A 18/40
7. Assessment of the status of dryland degradation as a major contribution to the 1997 review of the implementation of Agenda 21.	18/1 18/26 18/39 A 18/40
• Revised edition of the World Atlas of Desertification.	18/1 18/26 18/39 A 18/40
• Development of land quality/desertification indicators, including indicators on socio-economic dimensions of land desertification control.	18/1 18/26 18/39 A 18/40

Priority and targeted activities	Decisions of the Governing Council at its eighteenth session
8. Provide institutional capacity-building and servicing of Environmental and Natural Resources Information Networks (ENRIN) in Africa, Asia and the Pacific, Europe and Latin America and the Caribbean.	18/1 18/40
Subprogramme 2: Sustainable production and consumption	
9. Build consensus on policies and strategies for sustainable production and consumption.	18/1 18/23 18/35 18/40
10. Support and catalyse national, subregional and regional cleaner production centres.	18/1 18/23 18/40
Subprogramme 3: A better environment for human health and well-being	
11. Support to two intergovernmental meetings for the negotiation of a legally binding instrument on a Prior Informed Consent (PIC) Procedure for hazardous chemicals in international trade.	18/1 18/12 18/40
12. In coordination with the Inter-Organization Programme for the Sound Management of Chemicals (IOMC) and the Intergovernmental Forum on Chemical Safety (IFCS), assessment of and international response stratgegy for addressing persistent organic pollutants (POPs).	18/1 18/31 18/32 18/40
13. The Joint UNCHS/UNEP Sustainable Cities Programme.	18/15 18/40
14. Promote the transference of environmentally sound technologies for urban development and the sustainable management of freshwater resources.	18/1 18/40
15. Support to the Middle East Peace Process.	18/11 18/40
16. Preparation of state-of-the-environment report on Antarctica and the Secretary-General's report on Antarctica to the General Assembly.	18/40

Priority and targeted activities	Decisions of the Governing Council at its eighteenth session
17. Preparation of the state-of-the-environment report on the Arctic and participation in the meetings of the Arctic Council.	18/40
Subprogramme 4: Globalization and the environment	
18. Moving forward the critical debate on trade and environment.	18/1 18/3 18/40
• Meeting of the ad hoc expert group on trade and environment.	18/1 18/3 18/40
• UNEP Conference on Implementing Environmental Commitment by the Insurance Industry (London, 20-21 May 1996).	18/1 18/3 18/40
• Meeting of the UNEP Expert Group on Eco-labelling (Helsinki, Finland).	18/1 18/3 18/40
• Ministerial Meeting of Trade and Environment Ministers and Officials (September/October 1996)	18/1 18/3 18/40
19. Promoting the improvement and implementation of economic tools for enhanced environmental management.	18/1 18/3 18/40
• Enhance the use of environmental impact assessment (EIA) as an effective tool for sound environmental management and sustainable development.	18/1 18/3 18/40
• Support international efforts leading to the further development and application of environmental and natural resource accounting (ERA).	18/1 18/3 18/40
• Roundtable workshop on banks and the environment for the Western Hemisphere.	18/1 18/3 18/40
20. Implementation and review of the Programme for Development and Periodic Review of Environmental Law for the 1990s (Montevideo Programme II).	18/1 18/3 18/9 18/25 18/40

Priority and targeted activities	Decisions of the Governing Council at its eighteenth session
21. Capacity building in the field of environmental law.	18/1 18/3 18/40
22. Preparation for the 1997 special session of the General Assembly and review the governing structure of UNEP.	18/2 18/7 18/27 18/40
23. Preparation of a UNEP strategy for targeted scientific research in critical environmental areas (biodiversity, water, climate and land) with a focus on linking the Global Biodiversity Assessment, the IPCC Second Assessment Report and ongoing scientific assessments in ozone depletion and drylands degradation.	18/1 18/40
Subprogramme 5: Global and regional servicing and support	
24. Preparation of the Global Environment Outlook through regional consultations and in cooperation with collaborating centres.	18/1 18/27 18/40
25. Strengthening of UNEP's regional presence and programme delivery and support to regional cooperative frameworks	18/1 18/38 18/39 18/40
26. Development and promotion of the principles of environmental citizenship.	18/1 18/40

Table 3

APPROPRIATION/APPORTIONMENT FOR THE BIENNIUM 1996-1997

Subprogrammes/Subprogramme elements	Original	Revised	Original	Revised
	($ '000s)		(Percentages)	
1. Sustainable management and use of natural resources	**35,100**	**22,506**	**39.0%**	**36.0%**
1.1 Caring for freshwater, coastal and marine resources	13,500	8,157	15.0%	13.0%
1.2 Caring for biological resources	7,200	5,132	8.0%	8.2%
1.3 Caring for land resources	8,100	4,772	9.0%	7.7%
1.4 Information for decision-making and action planning	6,300	4,445	7.0%	7.1%
2. Sustainable production and consumption	**9,900**	**7,106**	**11.0%**	**11.3%**
2.1 Sustainable production	7,200	4,890	8.0%	7.8%
2.2 Reduced environmental impacts of energy utilization	1,800	1,887	2.0%	3.0%
2.3 Environmentally sustainable production and consumption patterns	900	329	1.0%	0.5%
3. A better environment for human health and well-being	**10,800**	**7,734**	**12.0%**	**12.4%**
3.1 Reduced impacts of toxic chemicals and wastes	5,400	4,946	6.0%	7.9%
3.2 Improved environmental management practices in urban areas	4,500	2,164	5.0%	3.5%
3.3 Environmental change and emergencies	900	624	1.0%	1.0%
4. Globalization and the environment	**7,200**	**5,048**	**8.0%**	**8.1%**
4.1 Trade and the environment	900	798	1.0%	1.3%
4.2 Environmental economics	900	687	1.0%	1.1%
4.3 Environmental law	3,600	2,869	4.0%	4.6%
4.4 Coordination and promotion of policy-related research	1,800	694	2.0%	1.1%
5. Global and regional servicing and support	**27,000**	**20,105**	**30.0%**	**32.2%**
5.1 Environmental assessment	5,400	4,093	6.0%	6.5%
5.2 Support to regional and subregional cooperation	9,000	6,213	10.0%	10.0%
5.3 Public awareness, education and outreach to major groups	8,100	6,006	9.0%	9.6%
5.4 Design and implementation of a coordinated system for international environmental information exchange: UNEPNET	4,500	3,793	5.0%	6.1%
TOTAL	**90,000**	**62,500**	**100.0%**	**100.0%**